

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF)
SUSSEX SHORES WATER COMPANY FOR THE)
APPROVAL OF THE SEMI-ANNUAL)
ADJUSTMENT TO THE DISTRIBUTION SYSTEM) PSC DOCKET NO. 15-1602
IMPROVEMENT CHARGE PURSUANT TO)
26 *DEL. C.* §314)
(FILED NOVEMBER 30, 2015))

ORDER NO. 9074

AND NOW, this 20th day of June, 2017, the Delaware Public Service Commission ("Commission") determines and orders the following:

WHEREAS, under the provisions of 26 Del. C. §314, a water utility may calculate and collect a "Distribution System Improvement Charge" ("DSIC Rate"), which allows the utility to promptly begin to recover depreciation expenses and a return on capital invested in "eligible distribution system improvements" put into service between rate cases; and

WHEREAS, under the statutory scheme, a particular water utility's DSIC Rate, once initiated, may thereafter be adjusted on a semi-annual basis to reflect eligible improvements put into service within the preceding six months. See 26 Del. C. §§314(b) (3) and (b) (5));¹ and

WHEREAS, on November 30, 2015, Sussex Shores Water Company ("Sussex Shores" or the "Company") filed an application in PSC

¹The Commission has explained the DSIC Rate mechanism in detail in PSC Order No. 5850 (December 11, 2001).

Docket No. 15-1602 to set its DSIC Rate at 2.83% effective on January 1, 2016; and

WHEREAS, on December 15, 2015, the Commission adopted Order No. 8834, which opened Docket No. 15-1602 and approved Sussex Shores' application to set its DSIC Rate at 2.83% effective January 1, 2016, subject to annual review, audit, and reconciliation by the Commission Staff ("Staff"); and

WHEREAS, on March 13, 2017, Staff began conducting a review and audit of Sussex Shores' DSIC component and calculations contained in Docket No. 15-1602. Specifically, Staff found that (i) the plant portion of Sussex Shores' DSIC calculation was accurate; (ii) the total depreciation as calculated by Sussex Shores agreed with its general ledger; and (iii) Sussex Shores collected a total of \$20,704.54 in DSIC revenues for the period January 1, 2016 through June 30, 2016, and a total of \$27,261.88 in DSIC Revenues for the period July 1, 2016 through December 31, 2016; and

WHEREAS, Staff found that during certain quarters, Sussex Shores' rate of return exceeded its last authorized rate of return, specifically, the rate of return reports for the twelve-month periods ending December 31, 2015 and March 31, 2016; and

WHEREAS, a water company is not eligible to collect DSIC if its quarterly rate of return reports indicated that it is earning

a rate of return that exceeds the rate of return established in its last general rate case²; and

WHEREAS, therefore, Sussex Shores was not eligible to collect DSIC revenues during the first and second quarters of calendar year 2016; and

WHEREAS, the \$20,704.54 in DSIC revenues that was collected during this time period is to be refunded, with interest, to customers; and

WHEREAS, Staff found that Sussex Shores' rate of return reports for the twelve-month periods ending June 30, 2016 and September 30, 2016, showed the Company earning a rate of return that did not exceed the rate of return established in its last general rate case; and

WHEREAS, Sussex Shores was eligible to collect DSIC during the third and fourth quarters of calendar year 2016; and

WHEREAS, the \$27,261.88 in DSIC revenues the Company collected during this period from July 1, 2016 through December 31, 2016, while eligible, resulted in an over-collection in the amount of \$6,755.88 of the semi-annual DSIC revenue requirement of \$20,506; and

WHEREAS, Staff notified the Company of the total amount to be refunded to customers of \$28,396.10³ and the manner in which to issue this refund. Staff also notified the Company that it is to stop collection of the DSIC Rate that was authorized to go

² 26 DEL. C. §314 (B) (10)

³ The calculation of this total refund amount can be found on page 3 of the Staff memo accompanying this Order.

into effect January 1, 2017 by way of Order No. 9005, on July 1, 2017; and

WHEREAS, based on Staff's audit of the additional plant claimed by Sussex Shores in Docket No. 15-1602 and the revenues collected by Sussex Shores under this DSIC Rate, Staff recommends that Sussex Shores' DSIC Rate of 2.83% be approved as final only for the period from July 1, 2016 through December 31, 2016; and

WHEREAS, Staff further reports that, in addition to the Company, it has shared its finding with the Public Advocate and there does not appear to be any disputes among the parties; and

WHEREAS, Staff recommends that the Commission keep PSC Docket No. 15-1602 open until the Company has completed the refund and Staff has had the opportunity to review the Company's proof of refund.

**NOW THEREFORE, IT IS ORDERED BY THE AFFIRMATIVE
VOTE OF NOT FEWER THAN THREE COMMISSIONERS:**

1. Under the provisions of 26 Del. C. §314, the Commission hereby denies Sussex Shores' 2016 DSIC Rate of 2.83% (effective January 1, 2016, through June 30, 2016) as previously allowed to go into effect in Order No. 8834 (December 15, 2015), but approves the DSIC Rate of 2.83% (effective July 1, 2016, through December 31, 2016).

2. Sussex Shores shall refund the amount of \$28,396.10 to all customers and shall issue the refund as a one-time percentage refund of -4.93% to all bills rendered from July 1, 2017 through September 30, 2017, inclusive.

3. Sussex Shores shall stop collection of the DSIC Rate authorized in Order No. 9005 with an effective date of January 1, 2017, on July 1, 2017.

4. Nothing in this Order shall preclude the examination and challenge of Sussex Shores' claims in any base rate proceeding.

5. The annual audit of PSC Docket No. 15-1602 is concluded, and this docket will remain open until the refund has been issued and Staff as had the opportunity to review Sussex Shores' proof of refund.

6. The Commission reserves the jurisdiction and authority to enter such further orders in this docket as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

Chair

Commissioner

Commissioner

Commissioner

Commissioner

ATTEST:

Secretary